

Defense Logistics

Defense Contract Management Command



COST ACCOUNTING STANDARDS February 15, 2000

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COST ACCOUNTING STANDARDS (CAS) OVERVIEW

- **DCMC Implementation of Interim Rule**
- **Changes in Cost Accounting Practices**
- **Proposed Alternative Rule**
- **FAR Part 30 Proposed Rule**



COST ACCOUNTING STANDARDS

IMPLEMENTATION OF CAS BOARD INTERIM RULE



IMPLEMENTATION

- **Districts in process of identifying effect on current segments subject to CAS including unresolved noncompliances**
 - **Process to be completed end of February**
- **Determination of contract receipt of \$7.5M or more**



IMPLEMENTATION

- **Exemption for FFP contracts**
 - **Current Exemption:** All FFPs without submission of any cost data.
 - **Review Panel:** All FFPs without submission of certified cost or pricing data.
 - **DoD Legislative Proposal:** All FFPs without submission of certified cost or pricing data.



IMPLEMENTATION

- **Exemption for FFP contracts**
 - **Authorization Act: FFPs with adequate price competition and without submission of certified cost or pricing data.**
 - **CASB Interim Rule: Only FFPs with adequate price competition and without submission of certified cost or pricing data.**
 - **Current exemption deleted.**



IMPLEMENTATION

**If no certified cost or
pricing data because:**

CAS Applies?

Current

New

Commercial Item/Law or Regulation

NoNo

Adequate Price Competition

If no cost data obtained

NoNo

If any cost data obtained

YesNo

Waiver--If no cost data obtained

No

Yes*

--If any cost data obtained

Yes

Yes*

***Review Panel recommendation and DoD Legislative
proposal would not have required CAS coverage.**



IMPLEMENTATION

- **Potential issues**
 - **Retroactive implementation of revised full coverage thresholds absent noncompliances**
 - **Contractor incentive to resolve noncompliances**
 - **Reinstatement of current exemption**



COST ACCOUNTING STANDARDS

CHANGES IN COST ACCOUNTING PRACTICES

**SNPRM-II
August 20, 1999**



SNPRM-II

➤ **History**

- **April 9, 1993--SDP**
- **April 25, 1995--ANPRM**
- **September 18, 1996--NPRM**
- **July 14, 1997--SNPRM**
- **August 20, 1999--SNPRM-II**



SNPRM-II

- **CAS Board stated objectives**
 - **Use SNPRM-II as basis for:**
 - **Holding open public meeting**
 - **Conducting a benchmarking survey**
 - **Soliciting public comments**



SNPRM-II

- **Definition of a change**
 - **“...any alteration in a cost accounting practice...including...:**
 - **Pool combinations.**
 - **Pool split-outs.**
 - **Functional transfers.”**



SNPRM-II

➤ Offsets

➤ The offset process “shall only be applied to contracts that are of the same contract type”

➤ FFP

➤ T&M

➤ Incentive (FPI/CPIF)

➤ Other cost-reimbursement contracts



SNPRM-II

➤ Issues

- Addition of CAS Administration procedures to CAS rules and regulations**
- Significantly expands definition of change**
- Overly detailed, prescriptive, and lengthy**
 - 43 Federal Register pages**



SNPRM-II

➤ **Follow-up**

- **CASB Open Public Meeting**
 - **Majority of testimony opposed rule**

- **CASB Benchmarking Survey**
 - **Industry declined participation**



COST ACCOUNTING STANDARDS

PROPOSED ALTERNATIVE



ALTERNATIVE

- **Public meetings jointly sponsored by DDP and NCMA to discuss potential alternative**
- **OSD alternative forwarded to CASB mid January**
 - **Industry endorsed major issue**
 - **Some issues remain**



ALTERNATIVE

- **Additional public meetings jointly sponsored by DDP and NCMA**

- **Additional joint Government/industry meetings scheduled to obtain additional input**

- **OSD revised alternative to be submitted to CAS Board for their consideration by end of February**



COST ACCOUNTING STANDARDS

FAR PART 30 PROPOSED REVISION



FAR PART 30 Proposed Revision

- **CAS Committee developed proposed revision**
 - **Cost impact process**
 - **Cognizant Federal Agency Official (CFAO) responsibilities**
 - **Awarding agency responsibilities**



FAR PART 30 Proposed Revision

- **Resolution of cost impacts**
 - **Adjust contract/contracts**
 - **Offset between contracts/segments**
 - **Alternate method**
 - **Coordinate with affected contracting officers before determining method of resolution**



FAR PART 30 Proposed Revision

- **Revision approved by DAR Council**
- **Will be published as proposed rule in Federal Register after CAAC approval**
- **Inclusion of cost impact process in FAR gives procurement control of process**



POSSIBLE FUTURE EFFORT

- **Comprehensive review of all 19 Cost Accounting Standards**
- **Recommended by Panel but not included in legislation**